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UNCLAS SECTION 01 OF 02 LILONGWE 000635

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SUBJECT: MALAWI: PRESIDENT SAYS NO TO EUROPE'S ECONOMIC  
PARTNERSHIP AGREEMENT

REF: LILONGWE 507

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Summary  
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¶1. (SBU) Malawian President Mutharika said Malawi will not sign an Economic Partnership Agreement (EPA) with the European Union during his presidency. Lambasting the agreements as a plot to undermine regional integration in Africa, he said the EPAs offered no benefits to Malawi. A senior GOM trade official told us several unresolved issues with the draft EPAs remain, including the lack of anticipated development assistance. While Mutharika's rejection of the EPAs may be economically defensible, the strong tone of his rhetoric is troubling. End summary.

Malawi President Rejects European Agreement  
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¶2. (U) Malawian President Bingu wa Mutharika told the press that Malawi would not sign an Economic Partnership Agreement (EPA) with the European Union (EU) as long as he is President. Mutharika called on other African countries to resist signing EPAs. He said, "Malawi will not sign even if it means the country being the only one without signing," adding that an EPA would bring no benefit to Malawi.

¶3. (U) Citing his background as former Secretary General of COMESA, Mutharika criticized the EPAs as a "divide and rule" tactic designed by "sinister" people in Europe to hobble regional integration in Africa. He questioned why the EU was negotiating EPAs with new regional groupings of its own creation, instead of working through established groups such as COMESA, SADC, or ECOWAS.

¶4. (U) Ministry of Industry and Trade Principal Secretary Newby Kumwembe told us the GOM had consulted extensively with the private sector, which generally supported signing the EPA. He said that the President is nevertheless determined not do so.

Nothing to Lose, Nothing to Gain  
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¶5. (U) Kumwembe noted that Malawi already enjoys duty-free access to the European market through the Everything But Arms (EBA) arrangement. He highlighted several aspects with which he said the African, Caribbean, and Pacific (ACP) side of the negotiation had problems with the draft agreements. These include development assistance, rules of origin, issues of commonality and the definition of "substantially all trade."

¶16. (U) With respect to development assistance, Kumwembe noted that the EPAs were initially expected to include assistance from the EU to the ACP partners, but that these resources were missing from the current agreements. Without assistance for additional capacity building, Kumwembe emphasized Malawi would not be able to compete with European producers.

Europeans Dismiss Criticism, Say EPA is for Malawi to Decide  
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¶17. (SBU) An EU official told us that there would be little immediate impact were Malawi to agree to the EPA, since the agreement includes a long phase-in period for tariff reductions on the Malawi side. He also noted that the EPA negotiating groups were agreed to jointly by the EU and the ACP partners. The group including Malawi largely matches COMESA, with the exception of Egypt, Libya and Swaziland, and of these, the first two were never part of the ACP group.

¶18. (SBU) The official confirmed that there will be no penalty imposed on Malawi for failing to sign an EPA. He noted that EU development assistance will not be affected by a failure to sign, and there are no new programs in the EPA that Malawi would miss out on. In its public response to the GOM, the European Commission in Malawi said that it welcomed all contributions to the public debate on EPAs and stressed that it was up to Malawi to decide what trade arrangements best suited its interests.

Comment  
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¶19. (SBU) The potential economic benefits of an EPA for Malawi are debatable. Clearly, the country stands to gain little in

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the way of market access, which it already has through the EBA arrangement. However, the President's provocative rhetoric, which is similar to that used when he ordered the deportation of four foreign tobacco buyers (reftel), is disturbing and not likely to encourage those hoping to do business in Malawi.

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